

CITY OF CONWAY SPRINGS, KANSAS

FINANCIAL STATEMENTS

WITH

INDEPENDENT AUDITOR'S REPORT

YEAR ENDED DECEMBER 31, 2010

George, Bowerman & Noel, P.A.
Certified Public Accountants

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George, Bowerman, & Noel, P.A.

Certified Public Accountants
Management Consultants
Tax Advisors

Paul R. Bowerman
Gary L. George

Epic Center 301 N. Main, Suite 1350 Wichita, Kansas 67202 Telephone (316) 262-6277 Fax (316) 265-6150

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and
City Council
City of Conway Springs
Conway Springs, Kansas

We have audited the accompanying financial statements of the City of Conway Springs, Kansas, as of and for the year ended December 31, 2010, and the individual fund financial statements of the City as of and for the year ended December 31, 2010, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the City of Conway Springs, Kansas, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, because of the City's policy to prepare its financial statements on the basis of accounting as discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City of Conway Springs, Kansas, as of December 31, 2010, or the results of its operations for the year then ended.

However, in our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the cash and unencumbered cash balances of the City of Conway Springs, Kansas, as of December 31, 2010, and its cash receipts, cash disbursements and expenditures compared to budget, for the year then ended on the basis of accounting described in Note 1. Also, in our opinion, the individual fund financial statements as of and for the year ended December 31, 2009, present fairly, in all material respects, the unencumbered cash balances and cash receipts and expenditures, on the basis of accounting described in Note 1.

George, Bowerman & Noel, P.A.

Wichita, Kansas
May 20, 2011

CITY OF CONWAY SPRINGS, KANSAS

SUMMARY OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH

**For the year ended December 31, 2010
(continued on next page)**

	<u>Beginning Unencumbered Cash Balance</u>	<u>Prior Year Canceled Encum- brances</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Ending Unencumbered Cash Balance</u>	<u>Add Outstanding Encumbrances and Accounts Payable</u>	<u>Ending Cash Balance</u>
General Fund	\$ 235,359	\$ —	\$ 450,841	\$ 247,726	\$ 438,474	\$ —	\$ 438,474
Special Revenue Funds:							
Special Highway	6,532	—	37,945	35,193	9,284	—	9,284
Public Safety	1,199	—	140,579	138,877	2,901	—	2,901
Library	1,354	—	14,213	15,261	306	—	306
Employee Benefits	43,292	—	64,024	67,388	39,928	—	39,928
Capital Equipment Reserve	44,563	—	36,500	—	81,063	—	81,063
Capital Improvement Reserve	27,066	—	8,660	—	35,726	—	35,726
Fire Truck Reserve	9,003	—	32,000	32,527	8,476	—	8,476
Ambulance Acquisition Reserve	29,397	—	34,852	28,684	35,565	—	35,565
Fire Department Trust	8,760	—	1,452	634	9,578	—	9,578
Cemetery Trust	4,376	—	841	—	5,217	—	5,217
Park Trust	2,894	—	—	—	2,894	—	2,894
Museum Trust	4,021	—	—	—	4,021	—	4,021
Ambulance Trust	10,464	—	9,582	4,116	15,930	—	15,930
Emergency Volunteer Building	8,275	—	25,403	8,014	25,664	—	25,664
Police Trust	2,707	—	1,800	1,086	3,421	—	3,421
Debt Service Funds:							
Bond and Interest	60,904	—	229,686	261,356	29,234	—	29,234
Capital Project Funds:							
Park and Pool Renovation Project	5,189	—	240	—	5,429	—	5,429
Enterprise Funds:							
Waterworks System	179,153	—	419,377	320,055	278,475	—	278,475
Sewage System	52,596	—	102,765	118,374	36,987	—	36,987
Refuse	21,848	—	140,167	140,159	21,856	—	21,856
Ambulance	45,050	—	56,889	81,053	20,886	—	20,886
Waterworks Principal and Interest Reserve	31,932	—	—	—	31,932	—	31,932
Waterworks Surplus Reserve	138,643	—	83,697	—	222,340	—	222,340
Meter Deposit	14,203	—	4,300	5,055	13,448	—	13,448

CITY OF CONWAY SPRINGS, KANSAS

SUMMARY OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH

**For the year ended December 31, 2010
(continued from previous page)**

	<u>Beginning Unencumbered Cash Balance</u>	<u>Prior Year Canceled Encum- brances</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Ending Unencumbered Cash Balance</u>	<u>Add Outstanding Encumbrances and Accounts Payable</u>	<u>Ending Cash Balance</u>
Sewer Replacement Reserve	\$ 13,429	\$ -	\$ 32,247	\$ -	\$ 45,676	\$ -	\$ 45,676
Refuse Equipment Reserve	<u>25,000</u>	<u>-</u>	<u>25,724</u>	<u>-</u>	<u>50,724</u>	<u>-</u>	<u>50,724</u>
Total Primary Government (excluding agency funds)	1,027,209	-	1,953,784	1,505,558	1,475,435	-	1,475,435
Component Unit:							
Conway Springs Public Library	<u>11,860</u>	<u>-</u>	<u>22,510</u>	<u>14,121</u>	<u>20,249</u>	<u>-</u>	<u>20,249</u>
Total Reporting Entity (excluding agency funds)	<u>\$ 1,039,069</u>	<u>\$ -</u>	<u>\$ 1,976,294</u>	<u>\$ 1,519,679</u>	<u>\$ 1,495,684</u>	<u>\$ -</u>	<u>\$ 1,495,684</u>

Composition of cash:

Conway Bank, Conway Springs, Kansas:

Checking account – NOW \$ 132,846

State Bank of Conway Springs, Conway Springs, Kansas:

Checking account – NOW 1,067,305

Checking account – NOW 14,493

Certificate of Deposit 260,273

Total State Bank of Conway Springs 1,342,071

Cash on hand 518

Total Primary Government 1,475,435

Less Agency Funds -

Total Primary Government (excluding agency funds) 1,475,435

CITY OF CONWAY SPRINGS, KANSAS
SUMMARY OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH

For the year ended December 31, 2010
(continued from previous page)

Composition of cash (continued):

Component Units:

Conway Springs Public Library:

Checking account – NOW \$ 20,249

Total Reporting Entity (excluding agency funds) \$ 1,495,684

The accompanying notes are an integral
part of the financial statements.

CITY OF CONWAY SPRINGS, KANSAS
SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET
(BUDGETED FUNDS ONLY)

For the year ended December 31, 2010

	<u>Certified Budget</u>	<u>Adjustment for Qualifying Budget Credits</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance - Favorable (Unfavorable)</u>
General Fund	\$ 510,553	\$ —	\$ 510,553	\$ 247,726	\$ 262,827
Special Revenue Funds:					
Special Highway	40,970	—	40,970	35,193	5,777
Public Safety	164,820	—	164,820	138,877	25,943
Library	15,559	—	15,559	15,261	298
Employee Benefits	93,534	—	93,534	67,388	26,146
5 Debt Service Fund:					
Bond and Interest	272,340	—	272,340	261,356	10,984
Enterprise Funds:					
Waterworks System	439,427	—	439,427	320,055	119,372
Sewage System	133,514	—	133,514	118,374	15,140
Refuse	140,160	—	140,160	140,159	1
Ambulance	83,652	—	83,652	81,053	2,599

The accompanying notes are an integral
part of the financial statements.

CITY OF CONWAY SPRINGS, KANSAS

GENERAL FUND

STATEMENT OF CASH RECEIPTS, EXPENDITURES AND CHANGES IN UNENCUMBERED CASH BALANCES – ACTUAL AND BUDGET (continued on next page)

	Year ended December 31,			
	2010			
	2009			Variance
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>favorable</u> <u>(unfavorable)</u>
Taxes	\$ 159,799	\$ 238,827	\$ 220,542	\$ 18,285
Intergovernmental	28,271	32,769	39,428	(6,659)
Licenses and permits	99,669	94,603	111,505	(16,902)
Charges for services	19,589	27,496	13,300	14,196
Fines and forfeitures	14,170	11,674	4,100	7,574
Interest	21,060	11,617	15,000	(3,383)
Facility rental	18,435	16,275	11,000	5,275
Miscellaneous	50	15,056	1,000	14,056
Reimbursed expenditures	<u>5,064</u>	<u>2,524</u>	<u>1,000</u>	<u>1,524</u>
Total cash receipts	<u>366,107</u>	<u>450,841</u>	<u>\$ 416,875</u>	<u>\$ 33,966</u>
Expenditures:				
Administration Department:				
Personal services	35,520	32,974	\$ 46,400	\$ 13,426
Contractual services	34,897	45,337	68,000	22,663
Commodities	2,889	2,163	4,600	2,437
Capital outlay	<u>7,974</u>	<u>—</u>	<u>5,000</u>	<u>5,000</u>
Total Administration Department	<u>81,280</u>	<u>80,474</u>	<u>124,000</u>	<u>43,526</u>
Fire Department:				
Personal services	6,685	5,355	5,400	45
Contractual services	13,100	11,751	19,500	7,749
Commodities	3,224	5,481	4,500	(981)
Capital outlay	—	10,000	4,500	(5,500)
Transfer out	<u>—</u>	<u>5,000</u>	<u>5,000</u>	<u>—</u>
Total Fire Department	<u>23,009</u>	<u>37,587</u>	<u>38,900</u>	<u>1,313</u>
Emergency Preparedness Department:				
Personal services	—	450	800	350
Contractual services	492	607	1,600	993
Commodities	195	143	500	357
Capital outlay	<u>—</u>	<u>—</u>	<u>500</u>	<u>500</u>
Total Emergency Preparedness Department	<u>687</u>	<u>1,200</u>	<u>3,400</u>	<u>2,200</u>

CITY OF CONWAY SPRINGS, KANSAS

GENERAL FUND

STATEMENT OF CASH RECEIPTS, EXPENDITURES AND CHANGES IN UNENCUMBERED CASH BALANCES – ACTUAL AND BUDGET (continued from previous page)

	Year ended December 31,			
	2010			
	2009 <u>Actual</u>	<u>Actual</u>	<u>Budget</u>	Variance favorable (unfavorable)
Park and Swimming Pool				
Department:				
Personal services	\$ 24,509	\$ 33,908	\$ 54,000	\$ 20,092
Contractual services	10,814	9,238	10,000	762
Commodities	11,571	10,059	14,000	3,941
Capital outlay	<u>1,198</u>	<u>—</u>	<u>3,000</u>	<u>3,000</u>
Total Park and Swimming Pool Department	<u>48,092</u>	<u>53,205</u>	<u>81,000</u>	<u>27,795</u>
Street Department:				
Contractual services	18,085	17,235	21,500	4,265
Commodities	—	—	18,000	18,000
Capital outlay	<u>—</u>	<u>—</u>	<u>134,000</u>	<u>134,000</u>
Total Street Department	<u>18,085</u>	<u>17,235</u>	<u>173,500</u>	<u>156,265</u>
Cemetery Department:				
Personal services	6,786	7,348	11,500	4,152
Contractual services	1,790	1,867	1,800	(67)
Commodities	1,245	1,407	1,500	93
Capital outlay	<u>—</u>	<u>—</u>	<u>500</u>	<u>500</u>
Total Cemetery Department	<u>9,821</u>	<u>10,622</u>	<u>15,300</u>	<u>4,678</u>
Museum Department:				
Personal services	—	156	150	(6)
Contractual services	332	217	175	(42)
Commodities	24	30	100	70
Capital outlay	<u>—</u>	<u>—</u>	<u>3,000</u>	<u>3,000</u>
Total Museum Department	<u>356</u>	<u>403</u>	<u>3,425</u>	<u>3,022</u>

CITY OF CONWAY SPRINGS, KANSAS

GENERAL FUND

**STATEMENT OF CASH RECEIPTS, EXPENDITURES AND
CHANGES IN UNENCUMBERED CASH BALANCES –
ACTUAL AND BUDGET
(continued from previous page)**

	<u>Year ended December 31,</u>			
		<u>2010</u>		
	<u>2009</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
	<u>Actual</u>			<u>favorable</u>
				<u>(unfavorable)</u>
Nondepartmental:				
Revitalization rebate	\$ –	\$ –	\$ 4,028	\$ 4,028
Transfers to other funds	<u>91,000</u>	<u>47,000</u>	<u>67,000</u>	<u>20,000</u>
Total Nondepartmental	<u>91,000</u>	<u>47,000</u>	<u>71,028</u>	<u>24,028</u>
Total expenditures	<u>272,330</u>	<u>247,726</u>	<u>\$ 510,553</u>	<u>\$ 262,827</u>
Cash receipts over expenditures	\$ 93,777	\$ 203,115		
Unencumbered cash balance, beginning of year	<u>141,582</u>	<u>235,359</u>	<u>\$ 93,678</u>	<u>\$ 141,681</u>
Unencumbered cash balance, end of year	<u>\$ 235,359</u>	<u>\$ 438,474</u>		

The accompanying notes are an integral
part of the financial statements.

CITY OF CONWAY SPRINGS, KANSAS

SPECIAL HIGHWAY FUND

**STATEMENT OF CASH RECEIPTS, EXPENDITURES AND CHANGES
IN UNENCUMBERED CASH BALANCES – ACTUAL AND BUDGET**

	Year ended December 31,			
		2010		
	2009	<u>Actual</u>	<u>Budget</u>	Variance favorable (unfavorable)
	<u>Actual</u>			
Cash receipts:				
Motor fuels tax	\$ 30,242	\$ 31,945	\$ 34,970	\$ (3,025)
Sumner County	<u>6,000</u>	<u>6,000</u>	<u>6,000</u>	<u>—</u>
Total cash receipts	<u>36,242</u>	<u>37,945</u>	<u>\$40,970</u>	<u>\$ (3,025)</u>
Expenditures:				
Personal services	15,140	16,339	\$ 23,000	\$ 6,661
Contractual services	2,779	628	4,000	3,372
Commodities	8,142	13,265	10,470	(2,795)
Capital outlay	2,975	1,961	500	(1,461)
Transfers out	<u>3,000</u>	<u>3,000</u>	<u>3,000</u>	<u>—</u>
Total expenditures	<u>32,036</u>	<u>35,193</u>	<u>\$40,970</u>	<u>\$ 5,777</u>
Cash receipts over expenditures	4,206	2,752		
Unencumbered cash balance, beginning of year	<u>2,326</u>	<u>6,532</u>	<u>\$ —</u>	<u>\$ 6,532</u>
Unencumbered cash balance, end of year	<u>\$ 6,532</u>	<u>\$ 9,284</u>		

The accompanying notes are an integral
part of the financial statements.

CITY OF CONWAY SPRINGS, KANSAS

PUBLIC SAFETY FUND

**STATEMENT OF CASH RECEIPTS, EXPENDITURES AND CHANGES
IN UNENCUMBERED CASH BALANCES – ACTUAL AND BUDGET**

	Year ended December 31,			
		2010		
	2009			Variance
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>favorable</u> <u>(unfavorable)</u>
Cash receipts:				
Taxes	\$118,386	\$ 140,214	\$ 141,106	\$ (892)
Miscellaneous	1,404	365	–	365
Transfers in	<u>49,000</u>	<u>–</u>	<u>20,000</u>	<u>(20,000)</u>
Total cash receipts	<u>168,790</u>	<u>140,579</u>	<u>\$ 161,106</u>	<u>\$ (20,527)</u>
Expenditures:				
Personal services	124,136	99,519	\$ 107,000	\$ 7,481
Contractual services	28,559	16,148	27,660	11,512
Commodities	10,479	10,264	15,000	4,736
Transfer out	–	7,000	7,000	–
Debt service	5,959	5,946	5,960	14
Revitalization rebate	<u>–</u>	<u>–</u>	<u>2,200</u>	<u>2,200</u>
Total expenditures	<u>169,133</u>	<u>138,877</u>	<u>\$ 164,820</u>	<u>\$ 25,943</u>
Cash receipts over (under) expenditures	(343)	1,702		
Unencumbered cash balance, beginning of year	<u>1,542</u>	<u>1,199</u>	<u>\$ 3,714</u>	<u>\$ (2,515)</u>
Unencumbered cash balance, end of year	<u>\$ 1,199</u>	<u>\$ 2,901</u>		

The accompanying notes are an integral
part of the financial statements.

CITY OF CONWAY SPRINGS, KANSAS

LIBRARY FUND

**STATEMENT OF CASH RECEIPTS, EXPENDITURES AND CHANGES
IN UNENCUMBERED CASH BALANCES – ACTUAL AND BUDGET**

	<u>Year ended December 31,</u>			
		<u>2010</u>		
	<u>2009</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
	<u>Actual</u>			<u>favorable</u>
				<u>(unfavorable)</u>
Cash receipts:				
Taxes	\$ 15,472	\$ 14,213	\$ 14,417	\$ (204)
Expenditures:				
Appropriation to Library Board	14,622	15,261	\$ 15,261	\$ –
Revitalization rebate	<u>–</u>	<u>–</u>	<u>298</u>	<u>298</u>
Total expenditures	<u>14,622</u>	<u>15,261</u>	<u>\$ 15,559</u>	<u>298</u>
Cash receipts over (under)				
expenditures	850	(1,048)		
Unencumbered cash balance,				
beginning of year	<u>504</u>	<u>1,354</u>	<u>\$ 1,142</u>	<u>\$ 212</u>
Unencumbered cash balance,				
end of year	<u>\$ 1,354</u>	<u>\$ 306</u>		

The accompanying notes are an integral
part of the financial statements.

CITY OF CONWAY SPRINGS, KANSAS

EMPLOYEE BENEFITS FUND

STATEMENT OF CASH RECEIPTS, EXPENDITURES AND CHANGES IN UNENCUMBERED CASH BALANCES – ACTUAL AND BUDGET

	<u>Year ended December 31,</u>			
		<u>2010</u>		
	<u>2009</u>	<u>Actual</u>	<u>Budget</u>	Variance favorable (unfavorable)
Cash receipts:				
Taxes	\$ 72,083	\$ 22,765	\$ 24,968	\$ (2,203)
Employee contributions	30,615	29,759	31,400	(1,641)
Miscellaneous	727	—	—	—
Transfers in	<u>21,350</u>	<u>11,500</u>	<u>11,300</u>	<u>200</u>
Total cash receipts	<u>124,775</u>	<u>64,024</u>	<u>\$ 67,668</u>	<u>\$ (3,644)</u>
Expenditures:				
Social security and Medicare	44,287	41,602	\$ 49,000	\$ 7,398
KPERS	19,931	23,594	28,000	4,406
Workers compensation insurance	—	—	11,147	11,147
Unemployment insurance	22,419	2,192	5,000	2,808
Revitalization rebate	<u>—</u>	<u>—</u>	<u>387</u>	<u>387</u>
Total expenditures	<u>86,637</u>	<u>67,388</u>	<u>\$ 93,534</u>	<u>\$ 26,146</u>
Cash receipts over (under) expenditures	38,138	(3,364)		
Unencumbered cash balance, beginning of year	<u>5,154</u>	<u>43,292</u>	<u>\$ 25,866</u>	<u>\$ 17,426</u>
Unencumbered cash balance, end of year	<u>\$ 43,292</u>	<u>\$ 39,928</u>		

The accompanying notes are an integral
part of the financial statements.

CITY OF CONWAY SPRINGS, KANSAS
CAPITAL EQUIPMENT RESERVE FUND
STATEMENT OF CASH RECEIPTS, EXPENDITURES
AND CHANGES IN UNENCUMBERED CASH BALANCES

	<u>Year ended December 31,</u>	
	<u>2010</u>	<u>2009</u>
Cash receipts:		
Transfers in	\$ 36,500	\$ 21,494
Miscellaneous	<u>—</u>	<u>1,000</u>
Total cash receipts	36,500	22,494
Expenditures:		
Capital outlay	<u>—</u>	<u>—</u>
Cash receipts over expenditures	36,500	22,494
Unencumbered cash balance, beginning of year	<u>44,563</u>	<u>22,069</u>
Unencumbered cash balance, end of year	<u>\$ 81,063</u>	<u>\$ 44,563</u>

The accompanying notes are an integral
part of the financial statements.

CITY OF CONWAY SPRINGS, KANSAS
CAPITAL IMPROVEMENT RESERVE FUND
STATEMENT OF CASH RECEIPTS, EXPENDITURES
AND CHANGES IN UNENCUMBERED CASH BALANCES

	<u>Year ended December 31,</u>	
	<u>2010</u>	<u>2009</u>
Cash receipts:		
Transfers in	\$ 8,660	\$ 13,533
Expenditures:		
Capital outlay	<u>—</u>	<u>—</u>
Cash receipts over expenditures	8,660	13,533
Unencumbered cash balance, beginning of year	<u>27,066</u>	<u>13,533</u>
Unencumbered cash balance, end of year	<u>\$ 35,726</u>	<u>\$ 27,066</u>

The accompanying notes are an integral
part of the financial statements.

CITY OF CONWAY SPRINGS, KANSAS

FIRE TRUCK RESERVE FUND

**STATEMENT OF CASH RECEIPTS, EXPENDITURES
AND CHANGES IN UNENCUMBERED CASH BALANCES**

	<u>Year ended December 31,</u>	
	<u>2010</u>	<u>2009</u>
Cash receipts:		
Transfers in	\$ 32,000	\$ 32,000
Expenditures:		
Debt service	<u>32,527</u>	<u>32,527</u>
Expenditures over cash receipts	(527)	(527)
Unencumbered cash balance, beginning of year	<u>9,003</u>	<u>9,530</u>
Unencumbered cash balance, end of year	<u>\$ 8,476</u>	<u>\$ 9,003</u>

The accompanying notes are an integral
part of the financial statements.

CITY OF CONWAY SPRINGS, KANSAS
AMBULANCE ACQUISITION RESERVE FUND
STATEMENT OF CASH RECEIPTS, EXPENDITURES
AND CHANGES IN UNENCUMBERED CASH BALANCES

	<u>Year ended December 31,</u>	
	<u>2010</u>	<u>2009</u>
Cash receipts:		
Transfers in	\$ <u>34,852</u>	\$ <u>21,000</u>
Expenditures:		
Debt Service	28,684	28,684
Capital outlay	<u>—</u>	<u>568</u>
Total expenditures	<u>28,684</u>	<u>29,252</u>
Cash receipts over (under) expenditures	6,168	(8,252)
Unencumbered cash balance, beginning of year	<u>29,397</u>	<u>37,649</u>
Unencumbered cash balance, end of year	<u>\$ 35,565</u>	<u>\$ 29,397</u>

The accompanying notes are an integral
part of the financial statements.

CITY OF CONWAY SPRINGS, KANSAS

FIRE DEPARTMENT TRUST FUND

**STATEMENT OF CASH RECEIPTS, EXPENDITURES
AND CHANGES IN UNENCUMBERED CASH BALANCES**

	<u>Year ended December 31,</u>	
	<u>2010</u>	<u>2009</u>
Cash receipts:		
Donations	\$ 1,255	\$ 1,996
Refunds	<u>197</u>	<u>—</u>
Total cash receipts	<u>1,452</u>	<u>1,996</u>
Expenditures:		
Contractual services	10	84
Commodities	624	295
Capital outlay	<u>—</u>	<u>5,450</u>
Total expenditures	<u>634</u>	<u>5,829</u>
Cash receipts over (under) expenditures	818	(3,833)
Unencumbered cash balance, beginning of year	<u>8,760</u>	<u>12,593</u>
Unencumbered cash balance, end of year	<u>\$ 9,578</u>	<u>\$ 8,760</u>

The accompanying notes are an integral
part of the financial statements.

CITY OF CONWAY SPRINGS, KANSAS

CEMETERY TRUST FUND

**STATEMENT OF CASH RECEIPTS, EXPENDITURES
AND CHANGES IN UNENCUMBERED CASH BALANCES**

	<u>Year ended December 31,</u>	
	<u>2010</u>	<u>2009</u>
Cash receipts:		
Dues/Donations	\$ 841	\$ 1,200
Expenditures:		
Commodities	<u>—</u>	<u>—</u>
Cash receipts over expenditures	841	1,200
Unencumbered cash balance, beginning of year	<u>4,376</u>	<u>3,176</u>
Unencumbered cash balance, end of year	<u>\$ 5,217</u>	<u>\$ 4,376</u>

The accompanying notes are an integral
part of the financial statements.

CITY OF CONWAY SPRINGS, KANSAS

PARK TRUST FUND

**STATEMENT OF CASH RECEIPTS, EXPENDITURES
AND CHANGES IN UNENCUMBERED CASH BALANCES**

	<u>Year ended December 31,</u>	
	<u>2010</u>	<u>2009</u>
Cash receipts:		
Donations	\$ —	\$ 1,467
Expenditures:		
Capital outlay	<u> —</u>	<u> 1,422</u>
Cash receipts over expenditures	—	45
Unencumbered cash balance, beginning of year	<u> 2,894</u>	<u> 2,849</u>
Unencumbered cash balance, end of year	<u>\$ 2,894</u>	<u>\$ 2,894</u>

The accompanying notes are an integral
part of the financial statements.

CITY OF CONWAY SPRINGS, KANSAS

MUSEUM TRUST FUND

**STATEMENT OF CASH RECEIPTS, EXPENDITURES
AND CHANGES IN UNENCUMBERED CASH BALANCES**

	<u>Year ended December 31,</u>	
	<u>2010</u>	<u>2009</u>
Cash receipts:		
Donations	\$ —	\$ —
Expenditures:		
Personal services	<u> —</u>	<u> 61</u>
Expenditures over cash receipts	<u> —</u>	<u> (61)</u>
Unencumbered cash balance, beginning of year	<u> 4,021</u>	<u> 4,082</u>
Unencumbered cash balance, end of year	<u>\$ 4,021</u>	<u>\$ 4,021</u>

The accompanying notes are an integral
part of the financial statements.

CITY OF CONWAY SPRINGS, KANSAS

AMBULANCE TRUST FUND

**STATEMENT OF CASH RECEIPTS, EXPENDITURES
AND CHANGES IN UNENCUMBERED CASH BALANCES**

	<u>Year ended December 31,</u>	
	<u>2010</u>	<u>2009</u>
Cash receipts:		
Donations	\$ 4,472	\$ 3,525
Intergovernmental	<u>5,110</u>	<u>—</u>
Total cash receipts	<u>9,582</u>	<u>3,525</u>
Expenditures:		
Contractual services	1,723	2,514
Commodities	<u>2,393</u>	<u>2,858</u>
Total expenditures	<u>4,116</u>	<u>5,372</u>
Cash receipts over (under) expenditures	5,466	(1,847)
Unencumbered cash balance, beginning of year	<u>10,464</u>	<u>12,311</u>
Unencumbered cash balance, end of year	<u>\$ 15,930</u>	<u>\$ 10,464</u>

The accompanying notes are an integral
part of the financial statements.

CITY OF CONWAY SPRINGS, KANSAS
EMERGENCY VOLUNTEER BUILDING FUND
STATEMENT OF CASH RECEIPTS, EXPENDITURES
AND CHANGES IN UNENCUMBERED CASH BALANCES

	<u>Year ended December 31,</u>	
	<u>2010</u>	<u>2009</u>
Cash receipts:		
Intergovernmental	\$ —	\$ 12,546
Donations	25,403	26,323
Insurance reimbursements	<u>—</u>	<u>7,056</u>
Total cash receipts	<u>25,403</u>	<u>45,925</u>
Expenditures:		
Commodities	1,676	—
Capital outlay	<u>6,338</u>	<u>48,610</u>
Total expenditures	<u>8,014</u>	<u>48,610</u>
Cash receipts over (under) expenditures	17,389	(2,685)
Unencumbered cash balance, beginning of year	<u>8,275</u>	<u>10,960</u>
Unencumbered cash balance, end of year	<u>\$ 25,664</u>	<u>\$ 8,275</u>

The accompanying notes are an integral
part of the financial statements.

CITY OF CONWAY SPRINGS, KANSAS

POLICE TRUST FUND

**STATEMENT OF CASH RECEIPTS, EXPENDITURES
AND CHANGES IN UNENCUMBERED CASH BALANCES**

	<u>Year ended December 31,</u>	
	<u>2010</u>	<u>2009</u>
Cash receipts:		
Donations	\$ 800	\$ 900
Other	<u>1,000</u>	<u>—</u>
Total cash receipts	<u>1,800</u>	<u>900</u>
Expenditures:		
Contractual services	339	533
Commodities	<u>747</u>	<u>963</u>
Total expenditures	<u>1,086</u>	<u>1,496</u>
Cash receipts over (under) expenditures	714	(596)
Unencumbered cash balance, beginning of year	<u>2,707</u>	<u>3,303</u>
Unencumbered cash balance, end of year	<u>\$ 3,421</u>	<u>\$ 2,707</u>

The accompanying notes are an integral
part of the financial statements.

CITY OF CONWAY SPRINGS, KANSAS

BOND AND INTEREST FUND

STATEMENT OF CASH RECEIPTS, EXPENDITURES AND CHANGES IN UNENCUMBERED CASH BALANCE – ACTUAL AND BUDGET

	Year ended December 31,			
		2010		
	2009 <u>Actual</u>	<u>Actual</u>	<u>Budget</u>	Variance favorable (unfavorable)
Cash receipts:				
Taxes	\$ 224,907	\$ 171,435	\$ 175,549	\$ (4,114)
Special assessments	49,133	37,251	30,780	6,471
Use of money and property	<u>21,000</u>	<u>21,000</u>	<u>21,000</u>	<u>—</u>
Total cash receipts	<u>295,040</u>	<u>229,686</u>	<u>\$ 227,329</u>	<u>\$ 2,357</u>
Expenditures:				
Bond - principal	200,000	225,000	\$ 225,000	\$ —
Bond - interest and fiscal charges	45,504	36,356	36,500	144
Temporary note – principal	17,000	—	—	—
Temporary note – interest and fiscal charges	687	—	—	—
Cash basis reserve	—	—	7,000	7,000
Revitalization rebate	<u>—</u>	<u>—</u>	<u>3,840</u>	<u>3,840</u>
Total expenditures	<u>263,191</u>	<u>261,356</u>	<u>\$ 272,340</u>	<u>\$ 10,984</u>
Cash receipts over (under) expenditures	31,849	(31,670)		
Unencumbered cash balance, beginning of year	<u>29,055</u>	<u>60,904</u>	<u>\$ 45,011</u>	<u>\$ 15,893</u>
Unencumbered cash balance, end of year	<u>\$ 60,904</u>	<u>\$ 29,234</u>		

The accompanying notes are an integral
part of the financial statements.

CITY OF CONWAY SPRINGS, KANSAS
PARK AND POOL RENOVATION PROJECT FUND
STATEMENT OF CASH RECEIPTS, EXPENDITURES
AND CHANGES IN UNENCUMBERED CASH BALANCES

	<u>Year ended December 31,</u>	
	<u>2010</u>	<u>2009</u>
Cash receipts:		
Donations	\$ 240	\$ 115
Expenditures:		
Contractual services	<u>—</u>	<u>—</u>
Cash receipts over expenditures	240	115
Unencumbered cash balance, beginning of year	<u>5,189</u>	<u>5,074</u>
Unencumbered cash balance, end of year	<u>\$ 5,429</u>	<u>\$ 5,189</u>

The accompanying notes are an integral
part of the financial statements.

CITY OF CONWAY SPRINGS, KANSAS

WATERWORKS SYSTEM FUND

STATEMENT OF CASH RECEIPTS, EXPENDITURES AND CHANGES IN UNENCUMBERED CASH BALANCES – ACTUAL AND BUDGET

	Year ended December 31, 2010			Variance favorable (unfavor- able)
	<u>2009 Actual</u>	<u>Actual</u>	<u>Budget</u>	
Cash receipts:				
Charges for services	\$ 360,170	\$400,627	\$ 341,050	\$ 59,577
Intergovernmental	–	18,750	–	18,750
Miscellaneous	<u>105</u>	<u>–</u>	<u>–</u>	<u>–</u>
Total cash receipts	<u>360,275</u>	<u>419,377</u>	<u>\$ 341,050</u>	<u>\$ 78,327</u>
Expenditures:				
Personal services	48,865	51,682	\$ 75,000	\$ 23,318
Contractual services	82,983	84,587	125,000	40,413
Commodities	7,887	15,214	40,000	24,786
Capital outlay	1,821	4,210	35,000	30,790
Debt service	14,930	69,938	69,930	(8)
Water use fee	1,995	2,013	1,600	(413)
Interest paid on meter deposits	118	128	–	(128)
Sales tax remittances	1,595	1,586	2,200	614
Transfers to reserve funds	48,607	83,697	83,697	–
Transfers to other funds	<u>12,800</u>	<u>7,000</u>	<u>7,000</u>	<u>–</u>
Total expenditures	<u>221,601</u>	<u>320,055</u>	<u>\$ 439,427</u>	<u>\$119,372</u>
Cash receipts over expenditures	138,674	99,322		
Unencumbered cash balance	<u>40,479</u>	<u>179,153</u>	<u>\$ 98,377</u>	<u>\$ 80,776</u>
Unencumbered cash balance, end of year	<u>\$ 179,153</u>	<u>\$278,475</u>		

The accompanying notes are an integral
part of the financial statements.

CITY OF CONWAY SPRINGS, KANSAS

SEWAGE SYSTEM FUND

**STATEMENT OF CASH RECEIPTS, EXPENDITURES AND CHANGES
IN UNENCUMBERED CASH BALANCES – ACTUAL AND BUDGET**

	Year ended December 31,			
	2010			
	2009 <u>Actual</u>	<u>Actual</u>	<u>Budget</u>	Variance favorable (unfavor- able)
Cash receipts:				
Charges for services	\$101,132	\$ 102,765	\$ 105,000	\$ (2,235)
Miscellaneous	<u>166</u>	<u>—</u>	<u>150</u>	<u>(150)</u>
Total cash receipts	<u>101,298</u>	<u>102,765</u>	<u>\$ 105,150</u>	<u>\$ (2,385)</u>
Expenditures:				
Personal services	17,016	19,152	\$ 25,000	\$ 5,848
Contractual services	5,660	5,911	9,000	3,089
Commodities	4,094	4,178	8,000	3,822
Capital outlay	1,446	620	3,000	2,380
Debt service	48,767	48,766	48,767	1
Transfers to reserve funds	2,000	37,247	37,247	—
Transfers to other funds	<u>5,800</u>	<u>2,500</u>	<u>2,500</u>	<u>—</u>
Total expenditures	<u>84,783</u>	<u>118,374</u>	<u>133,514</u>	<u>\$ 15,140</u>
Cash receipts over (under) expenditures	16,515	(15,609)		
Unencumbered cash balance, beginning of year	<u>36,081</u>	<u>52,596</u>	<u>\$ 28,364</u>	<u>\$ 24,232</u>
Unencumbered cash balance, end of year	<u>\$ 52,596</u>	<u>\$ 36,987</u>		

The accompanying notes are an integral
part of the financial statements.

CITY OF CONWAY SPRINGS, KANSAS

REFUSE FUND

STATEMENT OF CASH RECEIPTS, EXPENDITURES AND CHANGES IN UNENCUMBERED CASH BALANCES – ACTUAL AND BUDGET

	Year ended December 31,			
		2010		
	2009 <u>Actual</u>	<u>Actual</u>	<u>Budget</u>	Variance favorable (unfavor- able)
Cash receipts:				
Charges for services	\$ 128,933	\$ 137,224	\$ 131,500	\$ 5,724
Miscellaneous	<u>1,743</u>	<u>2,943</u>	<u>—</u>	<u>2,943</u>
Total cash receipts	<u>130,676</u>	<u>140,167</u>	<u>\$ 131,500</u>	<u>\$ 8,667</u>
Expenditures:				
Personal services	16,417	13,615	\$ 20,000	\$ 6,385
Contractual services	72,739	82,851	97,000	14,149
Commodities	1,832	2,809	6,000	3,191
Capital outlay	—	3,000	5,000	2,000
Transfers to reserve funds	47,027	35,884	1,160	(34,724)
Transfers to other funds	<u>2,750</u>	<u>2,000</u>	<u>11,000</u>	<u>9,000</u>
Total expenditures	<u>140,765</u>	<u>140,159</u>	<u>\$ 140,160</u>	<u>\$ 1</u>
Cash receipts over (under) expenditures	(10,089)	8		
Unencumbered cash balance, beginning of year	<u>31,937</u>	<u>21,848</u>	<u>\$ 8,660</u>	<u>\$ 13,188</u>
Unencumbered cash balance, end of year	<u>\$ 21,848</u>	<u>\$ 21,856</u>		

The accompanying notes are an integral
part of the financial statements.

CITY OF CONWAY SPRINGS, KANSAS

AMBULANCE FUND

STATEMENT OF CASH RECEIPTS, EXPENDITURES AND CHANGES IN UNENCUMBERED CASH BALANCES – ACTUAL AND BUDGET

	Year ended December 31,			
		2010		
	2009 <u>Actual</u>	<u>Actual</u>	<u>Budget</u>	Variance favorable (unfavor- able)
Cash receipts:				
Charges for services	\$ 48,200	\$ 42,512	\$ 48,400	\$ (5,888)
Intergovernmental	13,397	14,020	14,020	—
Miscellaneous	<u>10,000</u>	<u>357</u>	<u>—</u>	<u>357</u>
Total cash receipts	<u>71,597</u>	<u>56,889</u>	<u>\$ 62,420</u>	<u>\$ (5,531)</u>
Expenditures:				
Personal services	5,675	5,087	\$ 4,800	\$ (287)
Contractual services	24,304	21,897	23,000	1,103
Commodities	5,737	7,505	10,000	2,495
Capital outlay	1,688	11,712	11,000	(712)
Transfers to reserve funds	<u>21,000</u>	<u>34,852</u>	<u>34,852</u>	<u>—</u>
Total expenditures	<u>58,404</u>	<u>81,053</u>	<u>\$ 83,652</u>	<u>\$ 2,599</u>
Cash receipts over (under) expenditures	13,193	(24,164)		
Unencumbered cash balance, beginning of year	<u>31,857</u>	<u>45,050</u>	<u>\$ 21,232</u>	<u>\$ 23,818</u>
Unencumbered cash balance, end of year	<u>\$ 45,050</u>	<u>\$ 20,886</u>		

The accompanying notes are an integral
part of the financial statements.

CITY OF CONWAY SPRINGS, KANSAS
WATERWORKS PRINCIPAL AND INTEREST RESERVE FUND
STATEMENT OF CASH RECEIPTS, EXPENDITURES
AND CHANGES IN UNENCUMBERED CASH BALANCES

	<u>Year ended December 31,</u>	
	<u>2010</u>	<u>2009</u>
Cash receipts:		
Transfers in	\$ <u>—</u>	\$ <u>38,800</u>
Expenditures:		
Revenue bond principal	<u>—</u>	<u>75,000</u>
Revenue bond interest	<u>—</u>	<u>2,478</u>
Total expenditures	<u>—</u>	<u>77,478</u>
Expenditures over cash receipts	<u>—</u>	<u>(38,678)</u>
Unencumbered cash balance, beginning of year	<u>31,932</u>	<u>70,610</u>
Unencumbered cash balance, end of year	<u>\$ 31,932</u>	<u>\$ 31,932</u>

The accompanying notes are an integral
part of the financial statements.

CITY OF CONWAY SPRINGS, KANSAS
WATERWORKS SURPLUS RESERVE FUND
STATEMENT OF CASH RECEIPTS, EXPENDITURES
AND CHANGES IN UNENCUMBERED CASH BALANCES

	<u>Year ended December 31,</u>	
	<u>2010</u>	<u>2009</u>
Cash receipts:		
Transfers in	\$ 83,697	\$ 72,807
Expenditures:		
Transfers out	<u>—</u>	<u>—</u>
Cash receipts over expenditures	83,697	72,807
Unencumbered cash balance, beginning of year	<u>138,643</u>	<u>65,836</u>
Unencumbered cash balance, end of year	<u>\$222,340</u>	<u>\$138,643</u>

The accompanying notes are an integral
part of the financial statements.

CITY OF CONWAY SPRINGS, KANSAS

METER DEPOSIT FUND

**STATEMENT OF CASH RECEIPTS, EXPENDITURES
AND CHANGES IN UNENCUMBERED CASH BALANCES**

	<u>Year ended December 31,</u>	
	<u>2010</u>	<u>2009</u>
Cash receipts:		
Customer deposits	\$ 4,300	\$ 4,782
Expenditures:		
Deposit refunds/applied to customer accounts	<u>5,055</u>	<u>4,882</u>
Expenditures over cash receipts	(755)	(100)
Unencumbered cash balance, beginning of year	<u>14,203</u>	<u>14,303</u>
Unencumbered cash balance, end of year	<u>\$ 13,448</u>	<u>\$ 14,203</u>

The accompanying notes are an integral
part of the financial statements.

CITY OF CONWAY SPRINGS, KANSAS
SEWER REPLACEMENT RESERVE FUND
STATEMENT OF CASH RECEIPTS, EXPENDITURES
AND CHANGES IN UNENCUMBERED CASH BALANCES

	<u>Year ended December 31,</u>	
	<u>2010</u>	<u>2009</u>
Cash receipts:		
Transfers in	\$ 32,247	\$ 2,000
Expenditures:		
Capital outlay	<u>—</u>	<u>—</u>
Cash receipts over expenditures	32,247	2,000
Unencumbered cash balance, beginning of year	<u>13,429</u>	<u>11,429</u>
Unencumbered cash balance, end of year	<u>\$ 45,676</u>	<u>\$ 13,429</u>

The accompanying notes are an integral
part of the financial statements.

CITY OF CONWAY SPRINGS, KANSAS
REFUSE CAPITAL EQUIPMENT RESERVE FUND
STATEMENT OF CASH RECEIPTS, EXPENDITURES
AND CHANGES IN UNENCUMBERED CASH BALANCES

	<u>Year ended December 31,</u>	
	<u>2010</u>	<u>2009</u>
Cash receipts:		
Transfers in	\$ 25,724	\$ 25,000
Expenditures:		
Capital outlay	<u>—</u>	<u>—</u>
Cash receipts over expenditures	25,724	25,000
Unencumbered cash balance, beginning of year	<u>25,000</u>	<u>—</u>
Unencumbered cash balance, end of year	<u>\$ 50,724</u>	<u>\$ 25,000</u>

The accompanying notes are an integral
part of the financial statements.

CITY OF CONWAY SPRINGS, KANSAS
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS –
ALL AGENCY FUNDS

Year ended December 31, 2010

	Beginning Cash Balance January 1, <u>2010</u>	Cash <u>Receipts</u>	Cash <u>Disbursements</u>	Ending Cash Balance December 31, <u>2010</u>
Payroll Tax Withholding Fund	\$ –	\$ 37,335	\$ 37,335	\$ –
Municipal Court Fund	<u> – </u>	<u> 11,674 </u>	<u> 11,674 </u>	<u> </u>
Totals	<u><u> – </u></u>	<u><u> 49,009 </u></u>	<u><u> 49,009 </u></u>	<u><u> </u></u>

The accompanying notes are an integral
part of the financial statements.

CITY OF CONWAY SPRINGS, KANSAS

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

The City of Conway Springs, Kansas, (City) operates under a Mayor-Council form of government consisting of a Mayor and five councilpersons elected at-large from within the City. The City provides services to its citizens in the areas of highways and streets, water, sewer and refuse utilities, public improvement, public safety, planning and zoning, recreation and general administrative services.

These financial statements present the City of Conway Springs, Kansas, (the primary government) and its component unit. A primary government is a legal entity or body politic and includes all funds, organizations, institutions, agencies, departments and offices that are not legally separate. Such legally separate entities are referred to as component units. The component unit discussed in the following paragraph is included in the City's reporting entity because the primary government is considered financially accountable or the economic resources received and held by the separate organization is entirely for the direct benefit of the primary government.

A seven-member board appointed by the Mayor with approval by the City Council governs the Conway Springs Public Library Board. The Conway Springs Public Library Board operates the public library in the City. The Library Board may not purchase or lease a site or erect a building for use of the library without the approval of the City Council. The Library Board taxes are levied under the taxing authority of the City and are included as part of the City's total tax levy. These taxes are accounted for in the Library special revenue fund of the City. The Library Board also receives funding through state assistance programs and donations.

The City's component unit does not issue separate audited financial statements.

Description of funds

The accounts of the City are organized and operated on the basis of funds, each of which is defined as an accounting entity with a self-balancing set of accounts established for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

In accordance with state statutes, several different types of funds and account groups are used to record the City's financial transactions. For financial reporting, they have been grouped and are presented in this report as follows:

Governmental fund types

General fund – The general fund is used to account for all financial resources except those required to be accounted for in another fund.

Special revenue funds – Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted by law or administrative action to expenditure for specified purposes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Debt service fund – The debt service fund is used to account for the accumulation of resources for, and the payment of, interest and principal on general long-term debt, including special assessments, which are general obligations of the City.

Capital project funds – The capital project funds are used to account for the acquisition of fixed assets or construction of major capital facilities not being financed by proprietary funds.

Proprietary fund types

Enterprise funds – Enterprise funds are used to account for operations where it is the stated intent that costs of providing that service to the general public on a continuing basis be financed or recovered primarily through user charges.

Fiduciary fund types

Agency funds – Agency funds are used to account for assets held by the City as an agent for individuals, private organizations and other governmental units. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Basis of accounting

The financial statements are presented on the statutory basis of accounting. The statutory basis is a basis of accounting which demonstrates compliance with the cash basis and budget laws of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund. Cash disbursements are recognized when the cash balance of a fund is decreased. For an interfund transaction, a cash disbursement is recorded in the fund from which the cash is transferred. Expenditures include disbursements, accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract.

The City has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the City to use the statutory basis of accounting.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Departure from accounting principles generally accepted in the United States of America

The basis of accounting described above results in a financial statement presentation, which shows cash receipts, cash disbursements, cash and unencumbered cash balances and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year-end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. Capital assets that account for land, buildings, infrastructure and equipment owned by the municipality are not

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

presented in the financial statements. Also, long-term debt such as general obligation bonds, temporary notes revenue bonds, capital leases and compensated absences are not presented in the financial statements.

Budgetary principles

The City is required by state statute to legally adopt annual operating budgets for the general fund, special revenue funds (unless exempted by specific statute), debt service fund and enterprise funds. A legal operating budget is not required for the Capital Equipment Reserve, Capital Improvement Reserve, Fire Truck Reserve, Ambulance Acquisition Reserve, Fire Department Trust, Cemetery Trust, Park Trust, Museum Trust, Ambulance Trust, Emergency Volunteer Building, Police Trust, Park and Pool Renovation Project, Waterworks Principal and Interest Reserve, Waterworks Surplus Reserve, Meter Deposit Sewer Replacement Reserve, and Refuse Equipment Reserve funds. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5th.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. This process requires a notice of public hearing to amend the budget to be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. There were no individual fund budgets amended by the governing body during 2010.

Kansas statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds.

All legal annual operating budgets are prepared using the statutory basis of accounting, in which, revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments by the City for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. All unencumbered appropriations lapse at the end of the year, except for capital project fund appropriations, which are carried forward until such time as the project is completed or terminated.

Controls over spending in funds which are not subject to legal budgets are maintained by other statutes or by the use of internal spending limits established by management.

Deposits and investments

Deposits and investments include amounts in interest-bearing money market accounts. Cash deposits are reported at a carrying amount that approximates fair value. Interest income is credited to the General fund.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Compensated absences

The City's policies regarding vacation leave are based on the anniversary of an employee's employment date. Those policies permit all full-time employees after one year of employment to earn 5 calendar days' vacation pay, after three years of employment 10 calendar days' vacation pay, after ten years of employment 15 calendar days' vacation pay, and after twenty years of employment 20 calendar days' vacation pay. Part-time employees receive vacation as outlined for full-time employees by prorated on the number of hours worked. Seasonal and temporary employees shall not be eligible for vacation pay. Policies require vacation time to be taken annually and cannot be carried over from year to year without governing body approval. Upon termination, an employee shall be compensated for all earned but unused vacation leave at their final rate of pay.

City employees earn sick/personal leave at thirty-two hours for full-time employees, twenty-four hours for three-fourths time, and sixteen hours for half-time employees per year and are granted on an employees' anniversary date. Unused sick/personal leave may not be carried over but will be paid to the employee at the current rate of pay. An employee shall not be paid for any unused sick/personal leave upon termination of employment with the City.

Pension plan

All full-time employees are members of the State of Kansas Public Employees' Retirement System (KPERs), which is a cost sharing multi-employer statewide pension plan. The City's policy is to fund all pension costs as accrued; such costs to be funded are determined annually by the system's actuary.

Concentration of credit risk

The City routinely grants credit to utility customers, in accordance with applicable utility rate ordinances, all of which are located within the environs of the City. This credit is collateralized with security deposits from new and slow paying customers.

Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries commercial insurance for all risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

2. DEPOSITS AND INVESTMENTS

K.S.A. 9-1401 establishes the depositories which may be used by governmental entities in Kansas. The statute requires banks eligible to hold the City's funds have a main or branch bank in the county in which the City is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of Federal Depository Insurance Corporation coverage. The City has no other policies that would further limit interest rate risk.

2. DEPOSITS AND INVESTMENTS (continued)

K.S.A. 12-1675 limits the City's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The City has no investment policy that would further limit its investment choices.

Concentration of credit risk

State statutes place no limit on the amount the City may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405. The City's allocation of investments as of December 31, 2010, is as follows:

Conway Bank of Conway Springs	9%
State Bank of Conway Springs	91%

Custodial credit risk – deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City's policy follows applicable State Statutes and requires deposits to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka. All deposits were legally secured at December 31, 2010.

At year-end, the carrying amount of the City's deposits was \$1,495,435 with the bank balances of such accounts being \$1,483,339. Of the bank balances, \$391,076 was covered by federal depository insurance and the remaining balance of \$1,092,263 was covered by collateral held by the City's custodial banks in joint custody in the name of the City and its banks. The fair value of those pledged securities held by the City's custodial banks was \$1,456,187 at December 31, 2010.

The City's component unit's cash and deposits at December 31, 2010 consisted of interest-bearing checking accounts. At year-end, the carrying amount of the City's component unit deposits was \$20,249 and the bank balances were \$20,249, which was entirely covered by federal depository insurance.

3. LONG-TERM DEBT

The following is a summary of long-term debt transactions of the City for the year ended December 31, 2010:

<u>Issue</u>	<u>Interest Rates</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Date of Final Maturity</u>	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Reductions/ Payments</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>
General Obligation Bonds, Series 1995	4.75-7.00	5-1-95	\$ 300,000	10-1-10	\$ 10,000	\$ –	\$ 10,000	\$ –	\$ 560
General Obligation Bonds, Series 1997	4.00-5.00	10-1-97	375,000	12-1-12	110,000	–	35,000	75,000	5,447

3. LONG-TERM DEBT (continued)

<u>Issue</u>	<u>Interest Rates</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Date of Final Maturity</u>	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Reductions/ Payments</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>
General Obligation Street Improvement Bonds, Series 1998-1	4.55-6.00	4-1-98	\$ 390,000	12-1-13	\$ 150,000	\$ —	\$ 35,000	\$ 115,000	\$ 7,500
General Obligation Bonds, Series 1998-2	4.20-6.00	12-1-98	141,000	12-1-13	55,000	—	10,000	45,000	2,493
General Obligation Internal Improvement Bonds, Series 2000	4.60-6.50	9-1-00	508,000	12-1-10	65,000	—	65,000	—	3,250
General Obligation Bonds, Series 2002	4.00-5.25	5-1-02	428,000	12-1-12	155,000	—	50,000	105,000	6,825
General Obligation Refunding and Improvement Bonds, Series 2004	2.25-4.65	9-1-04	300,000	11-1-20	255,000	—	20,000	235,000	10,270
General Obligation Bonds, Series 2006	3.85-4.10	8-1-06	375,000	9-1-20	375,000	—	55,000	320,000	14,930
Capital Lease Obligation, Laverne Pumper Truck	6.08	5-12-03	200,030	8-1-13	93,611	—	21,959	71,652	5,676
Capital Lease Obligation, Police Vehicle	6.90%	6-4-07	15,665	6-4-10	5,563	—	5,563	—	384
Capital Lease Obligation, Ambulance	5.00%	11-25-08	126,000	1-3-14	103,610	—	23,919	79,691	4,765
Note Payable to Conway Springs Firemen's Relief Association	4.00	10-16-02	40,000	10-3-12	13,703	—	4,388	9,315	505
Note Payable to Kansas Department Of Health and Environment	3.55	3-1-99	387,523	3-1-17	182,730	—	21,669	161,061	6,296
Note Payable to Kansas Department Of Health and Environment	2.93	1-9-03	313,204	9-1-23	<u>237,476</u>	<u>—</u>	<u>13,944</u>	<u>223,532</u>	<u>6,857</u>
Total contractual indebtedness					1,811,693	—	371,442	1,440,251	75,758
Compensated absences					<u>4,192</u>	<u>7,271</u>	<u>8,915</u>	<u>2,548</u>	<u>—</u>
Total long-term debt					<u>\$ 1,815,885</u>	<u>\$ 7,271</u>	<u>\$ 380,357</u>	<u>\$ 1,442,799</u>	<u>\$ 75,758</u>

General obligation bonds

Remaining debt service requirement for general obligation bonds will be paid from the debt service fund with future property tax revenues and special assessment taxes except for the General Obligation Bonds, Series 2006 issue that will be retired from the Waterworks System Fund.

The Series 1997 bonds maturing in the year 2006 and thereafter, may be called for redemption and payment prior to their respective maturities, on December 1, 2006, or thereafter, in whole at any time, or in part as determined by the City on any interest payment date, at a price equal to the principal amount thereof, plus accrued interest to the date established for such redemption and payment.

3. LONG-TERM DEBT (continued)

The Series 1998-1 bonds maturing in the year 2007 and thereafter, may be called for redemption and payment prior to their respective maturities, on December 1, 2006, or thereafter, in whole at any time, or in part as determined by the City on any interest payment date, at a price equal to the principal amount thereof, plus accrued interest to the date established for such redemption and payment.

The Series 1998-2 bonds maturing in the year 2007 and thereafter, may be called for redemption and payment prior to their respective maturities, on December 1, 2006, or thereafter, in whole at any time, or in part as determined by the City on any interest payment date, at a price equal to the principal amount thereof, plus accrued interest to the date established for such redemption and payment.

The Series 2002 bonds are not subject to optional redemption and payment prior to their stated maturity.

The Series 2004 bonds maturing on November 1, 2013 and thereafter, may be called for redemption and payment prior to their stated maturity on November 1, 2012, and thereafter as a whole or in part (selection of maturities and the amount of bonds of each maturity to be redeemed to be determined by the City in such equitable manner as it may determine) at any time at the redemption price of 100% (expressed as a percentage of the principal amount), plus accrued interest thereon to the redemption date.

The Series 2006 bonds maturing on or after August 1, 2014 and thereafter, may be called for redemption and payment prior to their stated maturity on August 1, 2013, and thereafter as a whole or in part (selection of maturities and the amount of bonds of each maturity to be redeemed to be determined by the City in such equitable manner as it may determine) at any time, at the redemption price of 100% (expressed as a percentage of the principal amount), plus accrued interest thereon to the redemption date.

General obligation bonds payable are serial bonds to be retired through calendar year 2020. At December 31, 2010 the bonds to be retired from the debt service fund consist of the following:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 155,000	\$ 25,893	\$ 180,893
2012	170,000	18,867	188,867
2013	75,000	11,010	86,010
2014	20,000	7,570	27,570
2015	25,000	6,770	31,770
2016	25,000	5,745	30,745
2017	25,000	4,695	29,695
2018	25,000	3,620	28,620
2019	25,000	2,520	27,520
2020	30,000	1,395	31,395
	<u>\$ 575,000</u>	<u>\$ 88,085</u>	<u>\$ 663,085</u>

General obligation bonds payable from Waterworks Utility Fund

Remaining debt service requirements for general obligation bonds to be paid from the Waterworks System Fund is as follows:

3. LONG-TERM DEBT (continued)

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 60,000	\$ 12,813	\$ 72,813
2012	60,000	10,472	70,472
2013	65,000	8,103	73,103
2014	65,000	5,502	70,502
2015	<u>70,000</u>	<u>2,870</u>	<u>72,870</u>
	<u>\$ 320,000</u>	<u>\$ 39,760</u>	<u>\$ 359,760</u>

Capitalized lease obligations

During 2008, the City entered into a lease purchase agreement for financing an ambulance. The lease provides for monthly payments of \$2,390, including interest, through January 2014.

During 2007, the City entered into a lease purchase agreement for financing a police vehicle. The lease provides for annual payments of \$5,959, including interest, which expired in June of 2010.

During 2003, the City entered into a lease purchase agreement for financing a new fire truck. The lease provides for annual payments of \$27,635, including interest, through August 2013.

The outstanding leases qualify as capital leases for accounting purposes and, accordingly, have been recorded at the present value of the minimum payments at the date of lease inception. The annual requirements to amortize the capital lease obligations outstanding at December 31, 2010, including interest payments, are as follows:

<u>Year</u>	<u>Fire Truck</u>	<u>Ambulance</u>	<u>Total</u>
2011	\$ 27,635	\$ 28,680	\$ 56,315
2012	27,635	28,680	56,315
2013	27,635	28,680	56,315
2014	<u>—</u>	<u>2,390</u>	<u>2,390</u>
Total minimum lease payments	82,905	88,430	171,335
Less amounts representing interest	<u>(11,253)</u>	<u>(8,739)</u>	<u>(19,992)</u>
Present value of lease payments	<u>\$ 71,652</u>	<u>\$ 79,691</u>	<u>\$ 151,343</u>

The fire truck lease is being financed from the City's General Fund and the ambulance from the Ambulance Acquisition Reserve Fund.

Note payable to Firemen's Relief Association

During 2002, the City entered into a loan agreement with the Conway Springs Firemen's Relief Association to assist in financing the City's new fire truck. The loan agreement provides for semiannual payments, including interest, in the amount of \$2,446 through October 2012. The note is being financed from the City's General Fund.

3. LONG-TERM DEBT (continued)

Note payable will be retired through calendar year 2012. At December 31, 2010 the note payable consist of the following:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 4,565	\$ 327	\$ 4,892
2012	<u>4,750</u>	<u>142</u>	<u>4,892</u>
	<u>\$ 9,315</u>	<u>\$ 469</u>	<u>\$ 9,784</u>

Revolving loan notes payable

During 1996, the City entered into a loan agreement with the Kansas Department of Health and Environment (KDHE) for financing sewer plant improvements and construction of a new outfall sewer line in the City. At December 31, 2010, the outstanding loan balance was \$161,061. The loan agreement provides for semiannual payments in the amount of \$13,983, including interest at 3.55%.

The revolving loan will be retired through calendar year 2017 from the Sewage System Fund. Amortization of the note payable balance at December 31, 2010 is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 22,445	\$ 5,521	\$ 27,966
2012	23,249	4,717	27,966
2013	24,082	3,884	27,966
2014	24,945	3,021	27,966
2015	25,838	2,128	27,966
2016	26,763	1,203	27,966
2017	<u>13,739</u>	<u>244</u>	<u>13,983</u>
	<u>\$ 161,061</u>	<u>\$ 20,718</u>	<u>\$181,779</u>

During 2003, the City entered into an additional loan agreement with the KDHE for sewer line extensions and improvements in the City. At December 31, 2010, the outstanding loan balance was \$223,532. The loan agreement provides for semiannual payments in the amount of \$10,401, including interest at 2.93%. The debt service requirements of the note payable to KDHE are being serviced through user fees generated by the Sewage System Fund. Amortization of the note payable balance at December 31, 2010 is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 14,356	\$ 6,445	\$ 20,801
2012	14,780	6,021	20,801
2013	15,216	5,585	20,801
2014	15,665	5,136	20,801
2015	16,127	4,674	20,801
2016	16,603	4,198	20,801
2017	17,093	3,708	20,801
2018	17,598	3,203	20,801
2019	18,117	2,684	20,801
2020	18,652	2,149	20,801
2021	19,203	1,598	20,801

3. LONG-TERM DEBT (continued)

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 19,769	\$ 1,032	\$ 20,801
2023	<u>20,353</u>	<u>448</u>	<u>20,801</u>
	<u>\$ 223,532</u>	<u>\$ 46,881</u>	<u>\$ 270,413</u>

4. PENSION PLAN

Plan description

The City participates in the Kansas Public Employees Retirement System (KPERS), a cost sharing multiple employer defined benefit pension plan as provided by K.S.A. 74-4901, et. seq. KPERS provides retirement benefits, life insurance, disability income benefits and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS, 611 S. Kansas Avenue, Suite 100, Topeka, Kansas 66603-3803.

Funding policy

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary for participants employed prior to July 1, 2009 and 6% for participants employed July 1, 2009 and thereafter. Member-employees' contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rates for KPERS employers. The employer rate established by statute for the period from January 1, 2010 to December 31, 2010 was 7.14%. Included in this rate is the contribution for Group Death and Disability Insurance of 1%. There was a moratorium on the collection of group Death and Disability Insurance premiums from April 1, 2010 through June 30, 2010. The City's contributions to KPERS for the years ending December 31, 2010, 2009 and 2008 were \$15,193, \$12,935 and \$12,245, respectively, equal to the statutory required contributions for those years.

5. CAPITAL PROJECT AUTHORIZATIONS

At December 31, 2010 capital project authorizations compared with project expenditures from inception are as follows:

	<u>Project authorization</u>	<u>Expenditures project inception to December 31, 2010</u>
Park and Pool Renovation	\$ 6,163	\$ 2,145

6. INTERFUND TRANSFERS

A summary of interfund transfers by individual fund for the year ended December 31, 2010 is as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ —	\$ 52,000
Special Highway	—	3,000
Public Safety	—	7,000
Employee Benefits	11,500	—
Capital Equipment Reserve	36,500	—
Capital Improvement Reserve	8,660	—
Fire Truck Reserve	32,000	—
Ambulance Acquisition Reserve	34,852	—
Waterworks System	—	90,697
Sewage System	—	39,747
Refuse	—	37,884
Ambulance	—	34,852
Waterworks Surplus Reserve	83,697	—
Sewer Replacement Reserve	32,247	—
Refuse Capital Equipment Reserve	<u>25,724</u>	<u>—</u>
Total transfers	<u>\$ 265,180</u>	<u>\$ 265,180</u>

7. OTHER POST EMPLOYMENT BENEFITS

As provided by K.S.A. 12-5040, the City is required to allow retirees to participate in its group health insurance plan. While each retiree is required to pay the full amount of the applicable premium, conceptually, the local government is subsidizing the retirees because each participant is charged a level premium regardless of age. However, the cost of this subsidy, if any, has not been quantified in these financial statements.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the City makes health care benefits available to eligible former employees and their eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid entirely by the insured and there is no cost to the City under this program.

8. CONTINGENCIES

The City has violated the maximum contaminant level (MCL), as established by the Environmental Protection Agency (EPA) and monitored by the Kansas Department of Health and Environment (KDHE), in its water supply for allowable nitrate levels on a periodic basis for the past several years. When the water analysis exceeds allowable MCL's for nitrates, the City is required to notify the public of the situation. The City shall provide, free of charge, an alternate source of drinking water for all infants less than six months of age, nursing mothers, and pregnant women. The City is continuing to monitor this situation carefully and continuing to research options for correcting the nitrate levels. The City has participated in a Regional Water Feasibility Study that involved multiple entities participating in a regional nitrate removal plant. The governing body is continuing to consider its alternatives to meet water quality standards, which includes an analysis of the costs that would be incurred by City water customers.